

AVOIDING THE PITFALLS OF A TIGHT TALENT MARKET

Asia has not become an economic juggernaut by accident—the volume of goods produced and the speed with which they're delivered is quite unlike anywhere else in the world. Maintaining this now requires a fresh approach, particularly when it comes to the region's most valuable natural resource: people.

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YES, IT'S HOT IN HERE. As business shifts its focus ever more to Asia, the competition for skilled talent is increasing. Employers report they are having the most difficulty finding the right people to fill jobs in Japan (80%), India (67%), Australia (54%) and Taiwan (54%)



Employment is high across the region:

- The unemployment rate in **Singapore** was 2.1% in June 2011
- **South Korea's** jobless rate was just 3.3% in June 2011.
- **Thailand** has the second-lowest unemployment rate in the world at just 0.5%
- **Indonesia's** unemployment rate is among the highest in the region at 6.8% in February 2001, but much of the workforce is unskilled

standards, increasing pressure on HR teams to acquire, retain and develop scarce talent.

Perhaps one of the greatest contributors over the medium term to further decreases in unemployment in the region is the flow-on effect of investment in China. Chinese wages are rising at around 17% per year and this now means that some of the benefits of outsourcing to China are diminishing. For China's neighboring economies, there is a significant upside to this trend. Some of the jobs that would have been based in China are now flowing into countries like Vietnam, Thailand and Indonesia and intra-regional outsourcing is becoming increasingly attractive.

Economic slowdown or not, the job market in Asia is likely to remain enviable by world

Emerging faster

The growth trend in emerging nations is worldwide, not just in Asia. In fact, by 2018, it's predicted that emerging economies will overtake developed nations to generate more than 50% of the world's GDP. While this trend has been building for some time, the rate at which the change is occurring is about to pick up considerable pace. Not only are we seeing a shift in consumption, trade, population and output away from developed nations, we are seeing the shift accelerate—and this means that businesses in both developed and emerging economies have less time to prepare for the shift in talent requirements.

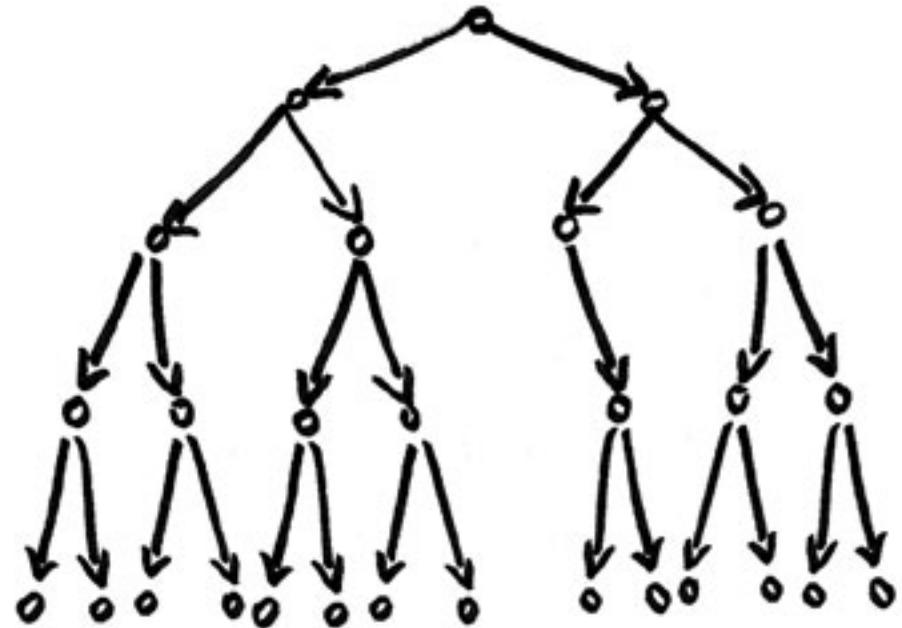
For employers in the region, the competition for talent is strong and is likely to remain so for the foreseeable future, and local success stories will increasingly become major talent competitors for large, global organizations.

LOCAL VERSUS GLOBAL. Already, almost one-quarter of the Fortune Global 500 firms come from emerging markets; in 1995 it was just 4%. As the economic locus of the world changes, so too does the way in which potential employees weigh up career options, and the large, foreign company will no longer be the lone font of opportunity in the region.

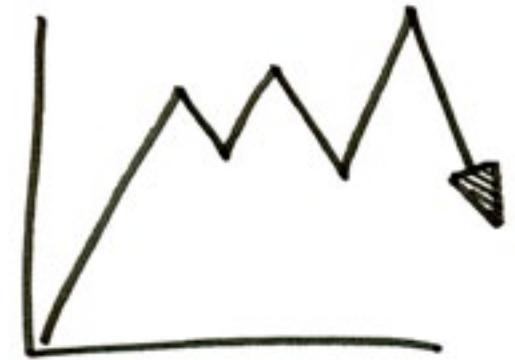
Smaller organizations typically provide faster career progression (provided they continue to grow) and they have the advantage of insider knowledge and relationships so they can tap into talent through informal networks. This head-start that local businesses have over others is going to be a growing problem for non-local organizations looking to increase headcount in the region. It is also well-known that recruiting through informal networks often delivers better retention outcomes, so companies will either need to build these networks (fast), or look for strategic human

resourcing alliances and partnerships to deliver the same benefits.

Local firms and new entrants to the labor market will be increasingly strong competition for global companies looking for growth. To grow, you need talent, but you need talent that wants to work for you above anyone else. Without the right connections and networks this is always a challenge. In a region with cultural values rooted firmly in community and family values, it's an even tougher ask.



TAKE YOUR TEMPERATURE. As markets continue to seesaw and analysts pore over mountains of economic data for any sign of slowdown they can find, it's hardly surprising that business should catch at least a mild case of the jitters.



It is tempting, even for firms that are doing well through the uncertainty, to put growth plans on ice, to maintain margins and reduce debt at the expense of expansion. Typically, when executives start talking about 'building reserves', 'consolidating' and 'reviewing' strategy, HR managers can find themselves reaching for the retrenchment policy.

Cost-cutting, first and foremost, has employee numbers in its sights, and this is where companies in strong and growing markets throughout Asia could find themselves falling into what could become an irreversible talent trap.

Losing what you can't get back

At no point in the business or economic cycle is it more prudent to hold on to your most

skilled and valuable people than during uncertainty, and possibly even during downturn. This is when businesses should focus their efforts of what's fundamentally right in their strategy and what's working well.

Resisting the urge to follow when the herd seems to be heading in the opposite direction is tough, and this is usually when jobs are shed in panic—where good people are let go along with underperformers. The best 20% of employees are able to raise operational productivity, profit and sales revenue—these are the people you want to retain.

In any economic climate, but particularly during this period of consolidation rather than growth in Asia, consider the

consequences that might result from talent departure, such as:

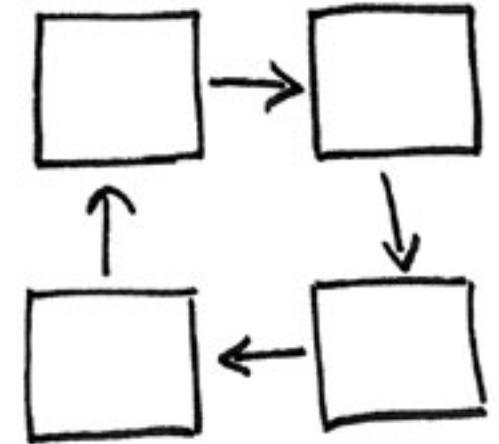
- **Loss of key clients**/disrupted relationships
- **Loss of key business** knowledge and skills
- **Job dissatisfaction** if workloads increase for remaining employees
- **Loss of knowledge** and business expertise
- Broader **reputational damage**

The difference between cost and value can be critical when it comes to employees. What an employee is 'worth' can be difficult to quantify, but it's rarely just equivalent to their salary, and cost savings from terminations can

lead to a loss of business value that is difficult (or impossible) to regain.

When everyone else starts running at full pace again, it will be harder to make up ground that you've lost, particularly in a labor market that looks as difficult to negotiate as Asia's. So, even if financial pressures do begin to bite, companies should look to alternative, flexible staffing solutions instead of just reducing their workforce in one blunt move.

FIRST, HAVE A TALENT 'CHECK UP'. If we take the “glass half full” approach for a moment and assume that any slowdown that does occur across Asia might just provide a chance to regroup and retool, now is the time businesses should be focusing on the strength of their talent assessment and management strategies.



These strategies include:

1. **Documenting** the core competencies of every position in the organization
2. **Understanding** how those core competencies relate to executing the company strategy
3. **Identifying and managing** the talent you have
4. **Figuring out** where the gaps are

Updating and reviewing job descriptions can seem like a low-value task, that is, until you need to figure out where your talent gaps are.

Many organizations say that they review job descriptions annually as part of the

performance planning process, but two other elements are often overlooked:

- **What new skills have each individual developed** and that may not be being used in their current roles, particularly as new training and education is completed?
- **What new talents and skills does each role need** in order to deliver on future growth?

If performance planning and goal setting does not take into account the new skills that may have been developed but are not being utilized, or the new skills a role requires that the existing occupant doesn't have, career planning and talent management across the entire organization will fall short of strategic goals.

Talent identification

There is of course the job, and then there's the individual in it. Even if you have a great job description and you know what makes that role a success, how visible are talented individuals on the organizational radar?

Relying on individual managers to recognize and manage talented employees without a guiding strategy and oversight can be fraught. Not only do managers have preferences for certain ways of working, their own workload and interactions can limit how they see individuals perform. Talent recognition and management must be able to identify not only who's doing a great job now, but who has potential for the future.

Every organization has talent gaps, it's what they do about them that counts. Short-term gains need to be weighed up against longer-term consequences. Simply asking workers to do more with less will impact on quality, customer service and staff turnover, and in a highly competitive market, someone else will be waiting to capitalize on job satisfaction issues like these.

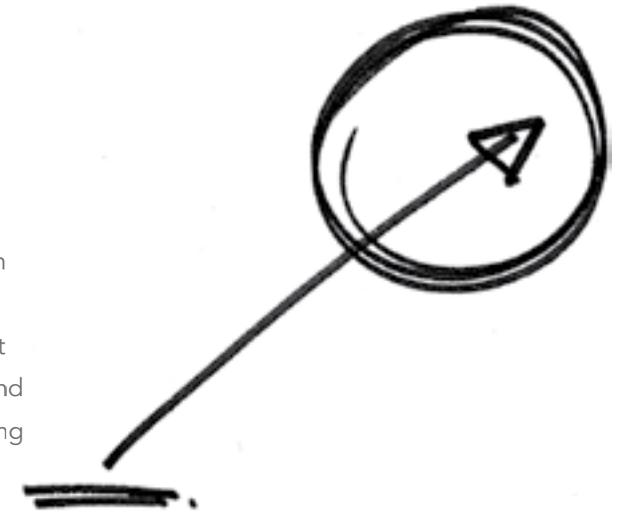
FOCUS NOW ON RECOVERY. Focusing on future constraints can be especially important during a period of slower economic activity—it can provide one of the few opportunities to reflect and plan ahead.

Although overall levels of recruitment may level-out or even fall during this period of lower confidence, the quality of talent could rise if the pool of displaced talent increases. Somebody, somewhere will have a job for a talented person, even when times are less than perfect. That's why it's particularly prudent to assess all new hires in terms of current and future need. When natural attrition does occur and a role becomes vacant, now is the time to look long and hard at what that role should look like for tomorrow, not just what it looks like today. Simply replacing 'like' with 'like' doesn't make the most of the opportunity that hiring in a slower market can provide.

Focusing now on what a business or even an entire industry may look like in two or even five years' time will help organizations evaluate how candidates might impact the organization in the mid-term and long-term. And of course, this means being able to identify today's talent as well as tomorrow's throughout the recruitment process. Financial realities are what they are, and no one can deny that, but opportunities come and go, particularly when it comes to hiring great people.

Now is not the time to shelve big ideas or to focus purely on the present—even if circumstances mean investment is limited, thinking about it, planning for it and implementing the small changes and ideas when possible are critical to staying competitive.

Even if investment is limited, consider other ways talented people that come onto the market can be engaged. Are temporary or contract projects possible? Building relationships with the talent you desire can at least open up a relationship for the future.

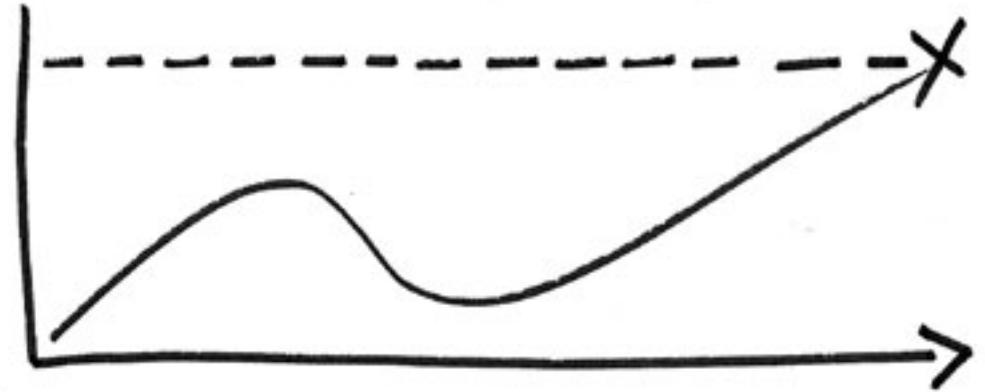


RAPID, ONGOING GROWTH is what we all think we want, but it certainly creates pressures all of its own.

For businesses in Asia, utilizing any slowdown to look at the bigger picture of the organization is perhaps the best way to make use of this uncertainty.

Understanding how each role in the organization contributes to strategy, where the gaps are and who might be the leaders of the future are key pieces of the Human Resources puzzle to work out before pace picks up again.

Competition for talent is strong and is likely to remain so for the foreseeable future. Being more disciplined than ever about talent management and recruitment, and looking to alternative and innovative approaches to continually develop networks, relationships and opportunities for the future will be key across the region.





THIS IS **PART 1** OF **ENTER THE DRAGON**, A WHITEPAPER SERIES EXPLORING THE NEW TALENT CHALLENGES FOR ASIAN ECONOMIES.

ABOUT THE AUTHOR

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